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February 23, 1994

BY HAND

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N.W. Room 222
Washington, D.C. 20554

Re: PP Docket No. 93-253 -- Supplemental
Comments of PageMart, Inc.

Dear Mr. Caton:

PageMart, Inc. ("PageMart"), by its attorneys, hereby submits supplemental comments with respect to the above-captioned proceeding. PageMart believes that the Commission's adoption of final rules for the narrowband personal communications service^{1/} ("PCS") warrants additional comments in the instant proceeding from potential providers of narrowband PCS. To the extent that leave is required for submission of these comments, PageMart hereby requests such leave, in light of the Commission's reconsideration of the appropriate licensing areas for narrowband PCS.

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^{1/} FCC News Release, Report No. DC-2563, GEN Docket No. 90-314, ET Docket No. 92-100 (Feb. 3, 1994).

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
February 23, 1994
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PageMart applauds the Commission's decision to facilitate the effective provision of narrowband PCS by aggregating certain of the available MTA service areas into larger, regional service areas. PageMart urges the Commission to encourage further, efficient aggregations by establishing combinatorial bidding for narrowband PCS licenses. PageMart explains below why combinatorial bidding, in the specific context of the FCC's regional approach to narrowband PCS, would promote fairness and efficiency in narrowband PCS auctions.

First, the current license service areas, even as modified by the Commission's recent action, do not adequately meet statutory requirements. As PageMart observed in its reply comments, in order to ensure adequate spectrum for true nationwide competition in narrowband services, firms must have an opportunity to assemble easily supra-regional and national service areas.^{2/} Without combinatorial bidding, insufficient nationwide and supra-regional licenses will be available, thus significantly limiting the ability of all but the largest firms to compete in these markets. Such a result would contravene Congress's explicit directive in the Budget Act^{3/} to ensure a diverse and competitive market of PCS providers.^{4/}

Second, only if firms are permitted to submit combinatorial bids can they adequately express value interdependencies without corresponding distortions in bidding behavior. Assembling service areas on an MTA-by-MTA or region-by-region basis will, in many cases, cause the licenses captured early in the bidding to be undervalued and licenses won later to be overvalued. As a result, parties interested in the individual licenses may face "irrational"

^{2/} Reply Comments of PageMart at 16.

^{3/} Pub. L. No. 103-66, Title VI, § 6002, 107 Stat. 387 (1993) (the "Budget Act").

^{4/} See H.R. Rep. No. 103-111, 103d Cong., 1st Sess. 254 (1993).

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competing bidders.^{5/} This is precisely why many commenters embraced the simultaneous auction format.

Unfortunately, when combined with simultaneous bidding systems, the new regional service areas do not eliminate this distortion. For example, in a simultaneous auction, bidding may have "closed" on most elements sought by two bidders assembling large service areas, but may remain "open" on a final, key element. To the extent that these bidders seek the same license as the final piece for their service areas, the simultaneous auction becomes identical to the sequential auction, in that the final license acquired is more "valuable" simply because it is acquired last rather than first.^{6/} Conversely, with combinatorial bidding, the interdependence value is not concentrated in a few licenses awarded last, but is distributed over the entire set constituting the assembled group. This fact increases the likelihood that individual bidders will be able to compete successfully with those assembling larger service areas.

Some interested parties have complained that the "free rider" problem will skew auctions in favor of combinatorial bidders.^{7/} However, combinatorial bids will

^{5/} The difficulty with fully sequential auctions for parties assembling multiple-license service areas is the inherent uncertainty regarding the bidding for later licenses. The risk is that a given license may be subject to a distorting "bidding war" by two parties whose strategy earlier in the auction hinged on their ability to win a particular license later in the auction.

^{6/} For this reason, PageMart suggested in its original comments and its reply comments a "hybrid approach" between sequential bidding and true simultaneous bidding. See Comments of PageMart at 19-21; Reply Comments of PageMart at 14-15. Only single bid auctions are truly simultaneous.

^{7/} The existence of a combinatorial bid is thought to discourage bidders from increasing their individual MTA bids by letting the burden fall on other bidders. See,
(continued...)

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actually be biased downward as bidders seek to avoid "the winner's curse."^{8/} This should help offset any "free rider" problem.

Moreover, the claimed "bias" favoring larger service areas^{2/} will exist with or without combinatorial bidding. To the extent that those assembling groups of licenses have deep pockets and want to ensure winning a particular service area, even without combinatorial bidding, they will enter each auction and drive out bidders having an interest solely in individual services areas.

Finally, although regional aggregation of MTAs is certainly a move in the right direction, it will not resolve the issues discussed above. Many efficient service areas will not be coterminous with the regions carved out by the Commission on reconsideration. Rather than dictating aggregations, the Commission should permit the market -- via combinatorial bidding -- to set commercially viable groupings. This is the fairest and most efficient way to conduct the narrowband competitive bidding process.

Because the Commission's choice of competitive bidding procedures will have a fundamental, lasting impact on the development of narrowband PCS, PageMart urges the Commission to consider carefully these supplemental comments. Combinatorial bidding can play an essential role

^{1/} (...continued)

bids by letting the burden fall on other bidders. See, e.g., Comments of Bell South Corporation; Comments of Pacific Bell and Nevada Bell.

^{8/} When a bidder values a given license more than any other party, it bids accordingly. The "winner's curse" refers to the fact that a party will often win an auction only because it has misjudged the value of a license.

^{2/} See, e.g., Attachment to Reply Comments of Pacific Bell and Nevada Bell Corporation.

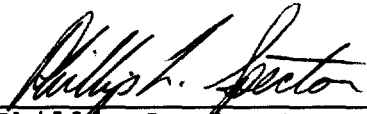
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in assisting the Commission in achieving its statutory goals. Regional service areas do not obviate the need for combinatorial bidding.

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